

TO: Distribution

FROM: Marketing Information & Analysis/Jacqueline Lee

SUBJECT: Pyramid Update

DATE: July 17, 1989

*Jacqueline*

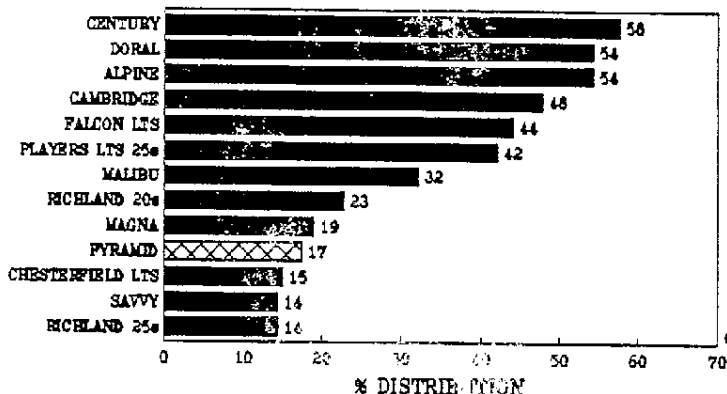
This memo reports on the latest performance of Liggett's new sub-generic brand Pyramid, whose five original packings were introduced nationally during January 1989 (Non-Filter 85s, LTS 85s/100s/100s Men, ULT 100s), and four additional packings during June 1989 (FF 85s/100s Reg/Men).

SUMMARY

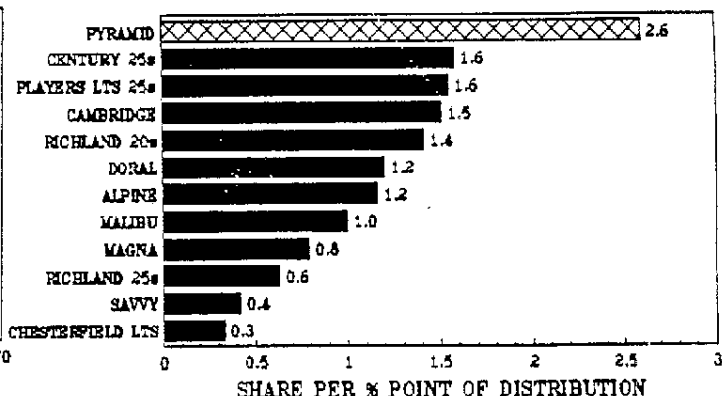
- As confirmed by the other data sources available, Nielsen continues to indicate a relatively low level of distribution but an unusually high share for Pyramid. During May, Pyramid registers 17% distribution and a 0.5 share, up from 13% and 0.4 in April.

In fact, as the graphs below illustrate, Pyramid ranks among the lowest of all price value brands in distribution build during the first four months at retail. However, within stores that do carry Pyramid, the brand registers a 2.6 share. This share level is the highest any price value brand has achieved in stores carrying the respective brands at their first four months at retail.

WEIGHTED EFFECTIVE DISTRIBUTION  
AT FOUR MONTHS AT RETAIL  
(SOURCE: NIELSEN)



SHARE PER POINT OF DISTRIBUTION\*  
AT FOUR MONTHS AT RETAIL  
(SOURCE: NIELSEN)

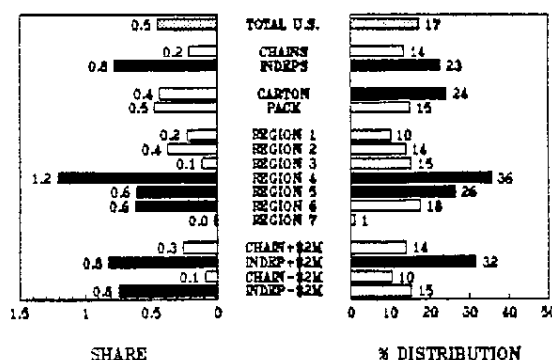


\*SHARE/WEIGHTED EFFECTIVE DISTRIBUTION.

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- Based on Nielsen, Pyramid's share and distribution are highest in independent outlets. However, share is similar in carton and pack outlets. Consistent with price value development, Pyramid performs best in Region 4, with Regions 5 and 6 also showing relatively high levels.

PYRAMID  
SHARE OF MARKET/WEIGHTED EFFECTIVE DISTRIBUTION  
(SOURCE: NIELSEN)



- In addition to Pyramid, price value entries in 1989 have included Alpine, Viceroy, Doral and Magna. In total, the price value category's growth rate has clearly accelerated, and Pyramid is likely a contributor to this acceleration. However, how much of the brand's volume is actually sourced from full margin brands will be assessed when sufficient data are available for analysis.

Please call if you have any questions or comments.

PYRAMID/jl

Distribution:

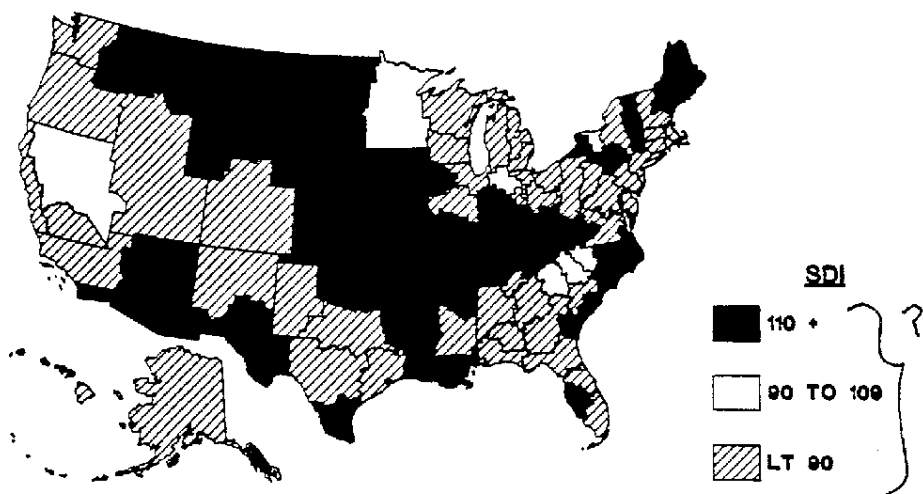
R. Anise	S. Jannetta	B. Reuter
T. Beane	C. Levy	S. Sabella
D. Beran	N. Lund	T. Saloun
S. Bloom	L. McCullagh	B. Schuyler
D. Bruno	E. McQuigg	J. Scully
V. Buccellato	R. Medwar	G. Smith
E. Butson	E. Merlo	J. Spector
D. Dangoor	R. Mikulay	R. Stirlen
H. Glastein	D. Nelson	L. Suwarna
L. Glennie	B. O'Brien	R. Tomei
A. Goldfarb	D. Potter	B. Weinstein
T. Goodale	J. Raporte	L. Wexler
E. Houminer		

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#### ADDITIONAL FINDINGS

- Retail audits conducted in several test markets during June confirm that Pyramid's distribution continues to be low (4% to 28%), but its retail shares are relatively high in stores carrying the brand and continue to grow versus the prior month: +1.1 to 2.3 in Indianapolis, +0.7 to 1.2 in Portland and +0.5 to 1.2 in Eastern Pennsylvania.
- IRI supermarket scanning positions the brand at a 0.3 share with 16% of the stores selling the brand in May, up from a 0.2 share and 13% of stores selling in April. Pyramid currently registers a 1.9 share in those stores which carry the brand. Although only in a limited number of stores, Pyramid appears to be using \$2 carton coupons.
- ICC distributor sales to retail place the brand at a 0.3 share in May, virtually unchanged from April. About 75% of the distributors in the panel currently report sales during May.
- MSA shipments currently position the brand at a 0.5 share in May (1mm & 3mm), down slightly from 0.6 in April. To date, Pyramid registers a 0.6 cumulative share, with higher development in Regions 2, 4, 5 and 6 and lower development in Regions 1, 3 and 7.

### PYRAMID SHARE DEVELOPMENT



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- Based on preliminary results of a special survey conducted by the Field Sales Force in about half of all accounts:
  - Pyramid is currently in 12% of the stores called upon during June.
  - Within these stores, Pyramid averages 1-5 CPW (0.5-2.4 share) in 60% of the stores, and 6-10 CPW (2.0-3.3 share) in 20% of the stores.
  - Pyramid is merchandised with other price value brands in 56% of the stores carrying.
  - The average price difference between Cambridge and Pyramid is \$2.01 in stores reporting a price gap.
- Field Sales reports that Liggett appears to be placing most of its efforts on Pyramid, gaining distribution on value centers and counter displays where possible and specifically in high price value markets. While consumer response about the product has reportedly been negative, sales continue to grow in stores with distribution. Promotional (B1G1Fs/25¢-off packs and sampling have been reported, as well as a special distributor program (additional 40¢/carton).
- Based on a recent independent survey in May, and confirmed by a subsequent retail audit of 541 outlets selling self-service cartons during June, Pyramid's retail price is about 31% below full margin and 16% below uncouped Cambridge/Doral. However, when Cambridge/Doral are couped at the \$2 level, their price point is slightly (30¢) below Pyramid's.

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